

MINUTES OF THE
JOINT HEALTH AND HUMAN SERVICES APPROPRIATION SUBCOMMITTEE
Monday, January 27, 2003, 2:00 p.m.
Room 131 State Capitol

Members Present: Sen. David H. Steele, Committee Co-Chair
Rep. Jack A. Seitz, Committee Co-Chair
Sen. Paula Julander
Rep. J. Stuart Adams
Rep. Calvin G. Bird
Rep. David Litvack
Rep. Rebecca Lockhart
Rep. Roz McGee
Rep. Mike Thompson

Members Excused: Rep. Leonard Blackham

Staff Present: Spencer C. Pratt, Legislative Fiscal Analyst
Thor Nilsen, Legislative Fiscal Analyst
Norda Shepard, Secretary

Public Speakers Present: Rod L. Betit, Executive Director, Department of Health
Doug Springmeyer, Assistant Attorney General, Department of Health
Patti Pavey, Executive Director, Salt Lake Valley Health Department
Dr. Scott Williams, Deputy Director, Department of Health
George Delavan, Director, Division of Community and Family Health Services
Nate Checketts, Policy Analyst, Governor's Office of Planning and Budget
Michael Deily, Director, Division of Health Care Finance
Richard Melton, Deputy Director, Department of Health
Gordon Crabtree, CFO, University of Utah Hospital
Jill Hilman, Health Policy Analyst, Utah Issues
Public Comment

List of Visitors on File

Meeting was called to order by Co-Chair Seitz at 2:03 p.m.

1. Department of Health Presentation

Rod Betit, Executive Director, Department of Health, distributed a packet outlining the FY 2004 Budget Hearing for the Department of Health. He explained the Department would not get into individual program descriptions but rather address significant concerns to the Department and the programs and people the Department serves. He reviewed the cuts taken by the Medical Assistance Program for FY 2002 and FY 2003, recapping some of the most startling as reducing retroactive period; adult dental; adult podiatry; the 7 per month limit on prescriptions; eliminating chiropractic funding; hospital rate reduction; elimination of aged/disable optional program, which affects 5 to 6 thousand people; and the unspecified base cut of \$109,200, which will slow down replacing vacant positions. The cuts are listed on the yellow sheet of the packet. He explained the additional General Fund reductions, shown on the blue sheet, totaling \$6,542,101 and 111.7 FTEs. He stated that this is a starting point, but they are stretched to the limit with no place to go but to reduce services to individuals.

Doug Springmeyer, Assistant Attorney General for Health, reported on the Resource Based Utilization Grouping (RUGS) decisions on nursing home reimbursements decisions. He distributed a summary sheet. He explained that

the Legislature funded a 12% increase with a strong suggestion that a new acuity based system be implemented. He reported that this was implemented on January 1, 2003. He stated the RUGS advisory panel went through a very open, rigorous process in order to grant a property adjustment and an across the board increase of approximately 9%. After January 1, with the acuity base system in effect, reimbursement of about half of the total rate is based upon how ill people are in a particular facility. He indicated there is a \$5.00 stop loss so that no facility can lose no more than \$5.00 off the rate that was in effect July 1, 2002. He stated that a law suit has been filed by the Rocky Mountain Health Care against the Department of Health, asserting that for the last 10 plus years the Department has failed to follow federal guidelines. The Department has filed to dismiss and are hopeful the Department's position will be upheld, but there is some risk of a significant financial issue coming forth.

Mr. Betit discussed the Utah Medicaid Program, charted on the white copy of the packet. He said he has never seen the system so stressed. He stated public programs have never had to deal with anything on this scale. He explained that the heavy growth in the Medicaid budget for the last three years is driven by the declining economy. This has made it more difficult to predict caseload growth and make room in the program for future eligibles. He explained that is why S.B. 82 is back on the table this year. This bill would give 2% discretion to overspend the budget.

Mr. Betit distributed Budget Bulletin for Health for FY 2003 and FY 2004 from the Governor's Office of Planning and Budget and discussed the differences with the Analyst's recommendations. He explained there is a \$30 million difference, which would be a considerably higher amount when taking into consideration the federal match dollars.

Patti Pavey, Executive Director, Salt Lake Valley Health Department, stated that the local public health departments have had continuing flat or declining funding from the state over the last decade. She said the overall impact on health departments is a slow, very painful erosion of public health services to the community, which are services that the public needs to count on. She said the public health departments have had to increasingly respond to the growing, diverse population and in so doing have had to change the way services are delivered and these cuts impact the ability to do that.

Dr. Scott Williams, Deputy Director, Department of Health, discussed the distributed budget fact sheets on licensing fees and intervals. He explained that the Department of Health processes licenses for health care facilities, including hospitals, nursing homes, assisted living facilities, home health care, hospice, and child care facilities. He said there has been an increased number of facilities over the past several years without a proportional increase in inspection and licensing staff. He said they are proposing to change fees and intervals to better reflect the work load of existing staff. Currently licenses are issued every year for health care and child care facilities. Utah statute allows for child care facilities to be licensed every two years and proposed legislation would modify the statute to have the same provision for health care facilities. This would allow administrative functions to be performed every two years and free staff to focus on functions more critical to public health and safety. There is also a proposal to raise fees. He stated that this would require action on the part of the committee to increase fees as they are not included in the Budget Analysis FY 2004.

Dr. Williams distributed and discussed a budget fact sheet on the Baby Watch Early Intervention Program. He stated that this partially federal funded program provides services and special education for infants and toddlers with disabilities and their families. The benefits and program impact are outlined on the budget fact sheet. He pointed out that if no additional funding is received, 700 children will be dropped from the program and providers will be cut back to FY2001 funding levels. A total of \$2.3 million would be required in FY 2004 to allow for caseload growth, maintain current eligibility criteria, and fund provider contracts based on increasing caseloads.

George Delavan, Director, Division of Community and Family Health Services, discussed long term funding issues for the Baby Watch Program. He said the program sustains about a 10% load increase each year. An advisory committee has looked at this issue. The committee recommended the following options: (1) Charging parents fees; (2) Charging a flat monthly fee for every family; or (3) Charging a monthly sliding fee based on family income or a co-pay amount per services.

Mr. Betit introduced Nate Checketts, Policy Analyst, GOPB, to give an update on tobacco fund accounts. Mr. Checketts discussed a handout which shows the payments received from the master settlement agreement from tobacco companies for the last two years and the predicted amounts through 2010. He explained that the funds are divided into two different funds; a permanent endowment fund and the tobacco restricted account. Currently that division is 50/50. By state statute that will be changed in FY 2004 to 60 percent for the endowment fund and 40 percent into the restricted account. He explained the graphs on the handout showing the projected payments and distributions and the programs receiving these funds. He pointed out that by FY 2005 the restricted account will have a deficit. Since a restricted account cannot maintain a deficit, some action will be necessary to balance out this account. Four options addressing this shortfall are listed on the handout.

Michael Deily, Director, Division of Health Care Finance, reported that for the last couple of years the division has been looking closely at establishing a preferred drug list. He explained that the state of Michigan had been to court and it appears that a preferred drug list would be legal for Medicaid. He explained that a preferred drug list is a concept of choosing one or more select drugs from a classification with similar therapeutic value to find a drug with good clinical value in the same class that would be more cost effective. If the drug is on the preferred list, there is a rebate from the manufacturers, which is about 20%. He reported that the state of Michigan had negotiated with drug manufacture to get an additional rebate for drugs not on their preferred list. Mr. Deily stated that the cost for Medicaid recipient drugs continues to rise each year. Factors include the increase in drug costs, new eligibles, a shift to brand name drugs, and advertising. He stated it is the fastest growing area of Medicaid costs.

Dr. Williams reported on the Utah Department of Health Outcome Measures Report, which is included in the Budget Analysis FY 2004 book for each committee member. He stated this report requires a lot of time and resources from the Department and they would appreciate feedback concerning how useful it is and if the report responds to the needs of the committee. He stated that this report is now available on line at the health.Utah.gov website. He said it would be helpful for the committee to consider the value of the published report and decide if the electronic resources would be sufficient. He indicated that one advantage of the website is that it is automatically updated as soon as new data becomes available. Dr. Williams highlighted items from the Outcome Report including increased number of persons living in poverty; number who lack health insurance coverage; decline in pneumonia due to education and immunization; EMS response time; level of obesity; and improvement in Hepatitis A.

Mr. Betit distributed a handout outlining how the Department has consolidated or eliminated committees. The current committee count is 24 with 340 persons on the committees. Prior to the consolidation the number of persons was 382.

In response to committee questions, Dick Melton, Deputy Director, Department of Health, said that separate funds are set aside for bio-terrorism throughout many divisions and those programs have been carefully constructed so that if federal funds go away it will not be a burden. The Department will not be required to continue those functions if there is no continued federal funding.

Gordon Crabtree, CFO, University of Utah Hospital, distributed a study done on Medicaid Funding in Utah. He said his report was not meant to be anything earth shaking but something to open the door for some additional thinking as we look at what is impacting the Medicaid program. He discussed Medicaid growth in comparison to population growth. He gave a brief history of Medicaid. He said his overall conclusions include the fact that the Medicaid caseload volatility demands a unique funding approach; if Medicaid is cut caregivers and patients are taking the dollar impact; if federal dollars are not matched, they are lost forever. He recommended that a new funding mechanism needs to be implemented that is more stable over a ten year period.

Co-Chair Steele stated that at the committee meeting on Wednesday, the Department of Human Services would make their presentation. On Friday, public comment would be taken on the Department of Health, and on Monday for the Department of Human Services. He encouraged those who wished to comment that written handouts would be very helpful and more effective for committee members to consider.

2. Public Comment

Co-Chair Steele extended a short time for public comment. Those commenting expressed the need for continued medication coverage in order to function and be stable in their lives. They expressed fear of the programs being cut and stressed that Legislators look at the people who are affected by these cuts. Some expressed that they felt they could not return to work because the “spenddown” would be too expensive and they would lose their eligibility. Judi Hilman of Utah Issues distributed two handouts and stated it is the highest priority to restore Medicaid eligibility.

MOTION: Rep. Adams moved to approve the minutes of 1-24-03. The motion passed unanimously.

MOTION: Rep. Seitz moved to adjourn. The motion passed unanimously.

Co-Chair Steele adjourned the meeting at 4:15 p.m.

Minutes reported by Norda Shepard, Secretary.

Sen. David H. Steele
Committee Co-Chair

Rep. Jack A. Seitz
Committee Co-Chair